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Bangladesh

Cotton and Products Annual

2011

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Report Highlights:

Bangladesh raw cotton imports in MY 2011/12 are forecast to increase by 2 percent to 3.9 million bales (845,000 tons) as textile demand in both the domestic and export markets remains strong. While the Bangladesh market for raw cotton is highly competitive, the U.S. share of total imports continues to remain around 10 percent.

Commodities:

Cotton

Production:

Assuming normal monsoon conditions, MY 2011/12 cotton production in Bangladesh is forecast at 79,750 Bangladeshi bales (400 lbs) from 36,000 hectares.

MY 2010/11 cotton production, harvested from 35,000 hectares, is estimated at 77,000 Bangladeshi bales comprising of 71,060 bales of medium staple American variety and 5,940 bales of short staple hill cotton (locally called “Comilla” cotton).

A lack of short duration, high yielding, and pest tolerant cotton seed varieties severely constrains expansion of cotton cultivation in Bangladesh. Bangladesh cotton cultivation is also very susceptible to excessive rainfalls/floods and pest infestations. However, over the last two years, cotton yield per hectare has been relatively high due to dry conditions during the critical growing period (July to December).

In 2009/10, the Bangladesh Cotton Development Board (CDB), the organization responsible for assisting cotton farmers, introduced a few short duration high yielding Chinese hybrids in collaboration with private seed companies. At that time, cotton hybrids were planted on nearly 2000 hectares. The CDB planned to plant 6,000 hectares with hybrids in the current 2010/11 season.

Value Added Cotton:

Yarn production in MY 2010/11 is estimated at 766,000 tons, while fabric production is estimated at 3.6 billion meters, up by 4.8 percent and about 4.3 percent respectively from MY 2009/10 levels. In addition, an estimated 700 million metres of fabric are produced by the small-scale handloom industry which meets about 35 percent of domestic demand for fabrics.

MY 2011/12 yarn and fabric production are forecast to grow further to 785,000 tons and 3.8 billion meters. The spinning sub-sector of the primary textile sector (PTS) has been witnessing robust growth over the last decade in response to growing demand for yarns from both the domestic textile market and the export-oriented ready-made garment (RMG) sector. However, its growth has slowed due to severe ongoing power and gas shortages in the country.

The Bangladesh textile industry, the largest manufacturing sub-sector of the industrial sector, provides employment to about 5.5 million people (including over 3 million in RMG units, of which 80 percent are women), contributes around 13 percent of the country’s GDP, 40 percent of manufacturing value addition, and 77 percent of export earnings. During the last three decades, the Bangladesh textile sector has received the highest level of investment (around 3.5 billion Euros), and is the second largest sector after agriculture in terms of labor force.

Bangladesh’s PTS meets 100 percent of domestic yarn and fabric requirements, 85-90 percent of the yarn requirement for export oriented knitwear and 34-40 percent of yarn requirement for woven ready-made garments. Additionally, a portion of domestic yarn production is supplied to home-textile, terry towel, and denim producers. The Bangladesh primary textile industries (table 7) includes 350 spinning mills, 400 weaving mills, 310 dyeing and finishing mills, 800 knitting and knit dyeing mills and 4,500 garment factories. Despite remarkable growth in backward linkage industries, Bangladesh’s current fabric demand-supply gap is about 50 percent in terms of cotton-based uses and around 25 percent in terms of non-cotton based uses in RMG sector.

Consumption:

Raw cotton consumption in MY 2011/12 is forecast at 4 million bales (870,000 tons) on expected continued strong demand for cotton yarns. Consumption in MY 2010/11 is estimated to reach 3.9 million bales (849,000 tons), up by 2.6 percent from MY 2009/10 consumption due to increasing demand from the spinning sub-sector backed by steady growth in domestic market and strong growth in export demand for cotton textile for RMG sector.

Value Added Cotton:

Yarn consumption in MY 2011/12 is forecast at 980,000 tons. In MY 2010/11 consumption of yarn is estimated at 940,000 tons up by about 7 percent from MY 2009/10 consumption on strong demand from weaving and knitting sub-sectors in the country. Fabric consumption in MY2010/11 is estimated at 6.2 billion meters, up 3 percent from MY 2009/10 consumption (2.4 billion meters for the domestic sector and 3.8 billion meters for the export oriented RMG sector). MY 2011/12 fabric consumption is forecast at 6.3 billion meters.

Spinning and weaving mills constructed in recent years are capable of supplying quality yarns and fabrics, however prices are typically 12-15 percent higher than similar products sourced from China or India. Locally produced fabrics also benefit from the duty drawback provision provided to the export oriented RMG sector.

Trade:

Raw cotton imports in MY 2011/12 are forecast at 3.9 million bales (845,000 tons) on expected strong demand for textile products both in domestic and export market. MY 2010/11 cotton imports are estimated to increase marginally over last year to reach 3.8 million bales (830,000 tons) due to strong cotton prices in the international market. Uzbekistan and India are the major suppliers of raw cotton to Bangladesh due to competitive prices and short delivery periods.

The share of U.S. raw cotton in the Bangladesh import market continues to be around 10 percent. Bangladeshi new generation spinning mills appreciate the high quality of US cotton. There are a few mills that use U. S. cotton exclusively, using the Cotton USA licence granted by the Cotton Council International (CCI).

Value Added Cotton:

Yarn imports in CY 2010 are estimated to increase to 220,000 tons from 210,000 tons in CY 2009 due to increased demand from the RMG sector. Yarn imports in CY 2011 are forecast to decrease to 200,000 tons due to increasing domestic yarn production. India continues to be the principal supplier of yarn to Bangladesh with about 75 percent of the market share. Fabric imports in CY 2011 are forecast at 2.30 billion meters, slightly higher than the estimated 2.26 billion meters in CY 2010 on continued strong RMG demand for the export market. China continues to be the principal supplier of imported fabrics, with a share of around 74 percent due to its price advantage in quality categories.

The annual growth of Bangladesh RMG export earnings during last 6 years had been over 15 percent, reaching \$12.5 billion in FY 2009/10 (Table 8).

Policy:

Yarn and fabric imports for the export oriented RMG sector enjoy a government duty draw back incentive. Despite industry opposition, there is a 12percent import duty on polyester, viscose, acrylic, synthetic and modacrylic staple fibre, as well as a 15 percent duty on textile chemical dyes. There are no quantitative restrictions on imports of textile raw materials including fabrics. The provision of an alternative cash incentive for the export oriented textile sector (5 percent of the export value) continues for the current fiscal year. Industry leaders are calling for an increase in the cash incentive to 15 percent, a withdrawal of import duties on textile machinery and spare parts, as well as export subsidies to help the industry be more competitive. The public sector and private sector banks are currently charging 9 percent and 11-12 percent interest respectively for textile industry credit; these are 2-3 percent below the usual market rate.

In November 2009, the Government announced a 10 billion Taka stimulus package of (about \$140 million) for the textile and clothing industry to help mitigate the negative impact of the global recession. The package included bank loan rescheduling facilities for the primary textile industry, a 5 percent cash incentive for yarn exports, and access to the Export Development Fund (EDF) for raw cotton imports. The duty structure for raw cotton, yarn, fabric and textile dyes-chemicals imports are shown in Table 9.

Marketing:

Bangladesh is entirely dependent on imports to meet the rapidly growing demand for raw cotton. More than 40 percent of raw cotton imports are for the export oriented RMG sector. Bangladesh spinning mills value U.S. cotton, both Pima and Upland, for their superior quality, consistency and ginning output.

Production, Supply and Demand Data Statistics:

Table 1: Commodity, Cotton, PSD

(Area in Thousand Hectares and other figures in thousand 480 lb. Bales)

Cotton Bangladesh	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	32	0	35		36
Area Harvested	32	32	32	35		36
Beginning Stocks	698	698	738	744		711
Production	50	55	48	64		67
Imports	3,800	3,798	3,850	3,812		3,881
MY Imports from U.S.	0	0	0	0		0
Total Supply	4,548	4,551	4,636	4,620		4,659
Exports	0	0	0	0		0
Use	3,800	3,798	3,900	3,899		3,996
Loss	10	9	10	10		11
Total Dom. Cons.	3,810	3,807	3,910	3,909		4,007
Ending Stocks	738	744	726	711		652
Total Distribution	4,548	4,551	4,636	4,620		4,659
Stock to Use %	19	20	19	18		16
Yield	340.	374.	327.	398.		405.
TS=TD		0		0		0

Table 2: Commodity, Cotton, Import Trade Matrix

Import Trade Matrix			
Country:	2009	Units:	Metric tons
Commodity:	2009/2010		

Time period:	Aug-Jul		
Imports for	2009		2010
U.S.	90000	U.S.	80000
Others		Others	
Uzbekistan	345000	Uzbekistan	260000
Africa	80000	Africa	100000
India	180000	India	260000
Pakistan	60000	Pakistan	35000
Other CIS	30000	Other CIS	50000
Total for Others	695000		705000
Others not listed	42000		45000
Grand Total	827000		830000

Table 3: Commodity, Cotton, Yarn, Import Trade Matrix

Import Trade Matrix			
Country:	2009	Units:	Metric tons
Commodity:	Cotton Yarn		
Time period:	Jan-Dec		
Imports for	2009		2010
U.S.	0	U.S.	0
Others		Others	
India	160000	India	166000
Pakistan	5000	Pakistan	5000
Thailand	6000	Thailand	5000
Taiwan	6000	Taiwan	8000
China	15000	China	16000
Total for Others	192000		200000
Others not listed	18000		20000
Grand Total	210000		220000

Table 4: Commodity, Cotton, Fabric, Import Trade Matrix

Import Trade Matrix			
Country:	2009	Units:	Mil. Meters
Commodity:	Fabric		
Time period:	Jan-Dec		
Imports for	2009		2010
U.S.	0	U.S.	0
Others		Others	
China	1700	China	1720
Pakistan	70	Pakistan	80
India	250	India	240
Thailand	80	Thailand	100
Total for Others	2100		2140
Others not listed	140		120
Grand Total	2240		2260

Table 5: Area and Production of Raw Cotton in Bangladesh

YEAR	AREA HARVESTED (Hectare)	PRODUCTION	
		Bales*	Tons

2004-05	44,000	73,190	13,310
2005-06	49,770	77,000	14,000
2006-07	42,100	70,530	12,824
2007-08	28,707	42,380	7,705
2008-09	32,600	50,600	9,200
2009-10	31,500	66,000	12,000
2010-11	32,000	77,000 (expected)	14,000

*1 bale = 400 lbs.

Source: Cotton Development Board (CDB), Government of Bangladesh

Table 6: Production and Consumption estimates of Yarn and Fabric by years

Year	Production		Consumption	
	Yarn (‘000’ tons)	Fabrics (Mill. Meters)	Yarn (‘000’ tons)	Fabrics (Mill. Meters)
2004/05	430	2,500	630	4,200
2005/06	464	2,700	680	4,500
2006/07	550	2,850	720	5,200
2007/08	602	3,000	760	5,600
2008/09	640	3,250	820	5,800
2009/10	731	3,450	880	6,000

Sources: Bangladesh Textile Mills Association (BTMA), and Ministry of Textiles, Government of Bangladesh

Table 7: Growth in the Primary Textile Sector (Spinning)

Year	No. of Mills	Spindle Capacity	Growth in No. of Mills	Growth in Spindle Capacity
1995	84	1,701,823	10.52%	19.56%
2000	116	2,289,280	38.09%	34.52%
2001	145	2,352,310	25.00%	2.75%
2002	163	3,390,026	12.41%	44.11%
2003	174	3,419,504	6.75%	0.87%
2004	197	3,931,624	13.22%	14.98%
2005	230	4,937,353	16.75 %	25.58%
2006	260	5,500,000	8.7%	11.39%
2007	283	6,000,000	8.85%	9.09%
2008	341	7,200,000	20.0%	20.0%
2009	350	7,600,000	2.6%	5.6%

Source: Bangladesh Textile Mills Association (BTMA)

Table 8: Bangladesh Garments Exports Data by Fiscal Year

YEARS	MILLION US\$			GROWTH
	WOVEN	KNIT	TOTAL	
2001-02	3,125	1,459	4,584	-6%
2002-03	3,258	1,654	4,912	7%

2003-04	3,538	2,148	5,686	16%
2004-05	3,598	2,820	6,418	13%
2005-06	4,084	3,817	7,901	23%
2006-07	4,658	4,554	9,212	17%
2007-08	5,169	5,533	10,702	16%
2008-09	5,919	6,429	12,348	15%
2009-10	6013	6483	12,497	1%

Source: Export Promotion Bureau (EPB), Government of Bangladesh

Table 9: Current Duty Structure of Textile Sector (FY 2010-11)

Items	Import Duty	VAT	Advance Income Tax	License Fee	Total
Raw Cotton	-	-	-	-	-
Man-made Fibres	12%	15%	3%	2.5%	32.5%
Yarn	12%	15%	3%	2.5%	32.5%
Fabric	25%	15%	3%	2.5%	45.5%
Textile dyes-chemicals	15%	15%	3%	2.5%	35.5%

Source: National Board of Revenue (NBR), Government of Bangladesh